

**Kent County Land Bank Review Subcommittee**  
**Thursday, August 25, 2016**

Members Present: Commissioners Mandy Bolter (Chair), Dave Bulkowski, Matt Kallman, and Ted Vonk

Members Absent: Roger Morgan

Also Present: Assistant County Administrator Mary Swanson, Corporate Counsel Tom Dempsey, Treasurer Ken Parrish, Commissioner Jim Talen, Sr. Administrative Specialist Marie Raymond, Kent County Land Bank Executive Director David Allen, Plainfield Township Manager Cameron Van Wyngarden, Land & Company Daniel Hibma, Rental Property Owners Association Director Clay Powell, Keystone Realty Group LLC Rusty Richter, Sun Title Chief Executive Officer Tom Cronkright, Habitat for Humanity Executive Director BriAnne McKee, and Habitat for Humanity Director of Community Development Ivor Thomas

Media: None

Chair Bolter called the meeting to order at 8:37 a.m.

Public Comment: None.

The meeting notes from July 28, 2016, were reviewed and approved.

Chair Bolter invited all of the invited stakeholders to the table and introductions were made. The stakeholder panel was invited to provide responses to the following questions, which had also been provided to them in writing before the meeting:

1. What do you see as the benefits and/or disadvantages of the Kent County Land Bank Authority (KCLBA) to your community, industry or constituency?
2. Do you believe the goals of the program (preventing and addressing blight, expediting property redevelopment and increasing taxable value on the property) are still relevant? Why or why not?
3. Do you believe that the KCLBA is making a positive contribution to addressing these goals? Why or why not?
4. Are there changes to the way the KCLBA operates you would like to suggest to the County or the KCLBA?

Mr. Hibma reviewed that materials he had submitted to the subcommittee which is on file with the Board of Commissioner's Office. He stated that the KCLBA does not meet the requirements to be self-sustaining or provide economic development for Kent County.

Mr. Wyngarden stated that Plainfield Township has received assistance from KCLBA with selling undevelopable properties and land-locked properties. Plainfield Township has many undeveloped properties such as those located along the Grand River. The banks also want to

give Plainfield Township foreclosed homes, which KCLBA assists with clearing the titles. In terms of economic development, KCLBA has been a valuable tool for the township. The township does not have any tools to fight blight so KCLBA is one of the biggest and most effective tools available to fight blight. Plainfield Township uses KCLBA with discretion and considers the land bank to be a great partner. He suggested that changes be implemented to provide a better understanding of KCLBA's role, what it is and what it does, and how it can be used and serve the community.

Mr. Cronkright agreed that more education is necessary. Sun Title has been working with KCLBA since the land bank's inception. The Fast Track Act creates a systematic roadmap to go from a tax reverted property to a property that a title insurance company can insure. The challenge to tax reverted properties is that title insurance is unobtainable. Without title insurance a mortgage is unavailable to property owners. The problem continues with the first owner and lingers with the property. The Fast Track Act has to be exercised under a land bank structure and only the land bank has the authority to call upon that Act and bundle properties in one title action. He acknowledged that a property owner is able to file a quiet title action to clear a title but said the majority do not do so. Some more sophisticated brokers and developers will go through the process, but those buying at the tax sale have called Sun Title because they thought they had bought a clear title but there is a lingering issue that does not allow them to obtain insurance. The legal benefit is KCLBA's ability to file a quiet title action to clear the title offers a reset for these parcels. In regard to neighborhood stabilization, the involvement of KCLBA, Habitat for Humanity, and other non-profit organizations has been good for connecting properties with the proper stakeholders and investors so that there is stewardship, growth, and care of the properties that drive the neighborhood forward. Having the wrong tenant or property owners in an area quickly changes the area's dynamic to a negative outcome.

Mr. Cronkright recommends that the KCLBA assist other counties that do not have land banks and struggle with tax sales and parcels to facilitate the quiet title through the Fast Track Act and repurpose them. Such properties are likely to be safer and more productive with the correct level of oversight than those simply sold at the tax sale.

Ms. McKee stated that homes sold through Habitat for Humanity are sold at appraised market value and are quality housing located in neighborhoods in severe decline. In partnership with the land bank, Habitat for Humanity can take the housing and either demolish and build new LEED certified homes or rehab the home to a high performance contributing to the long-term success of the home and home buyer. There are 14 new homes in the west side area of Grand Rapids that would not be here today without the partnership with KCLBA.

Mr. Thomas added that the KCLBA has provided quiet title services alleviating this cumbersome and expensive process for Habitat for Humanity. The expedited quiet title legislation (Fast Track Act) allows Habitat for Humanity to quiet the titles for \$500 instead of paying between \$2,000 and \$3,000. Habitat for Humanity has purchased homes from investors who acquired homes at auction and were unable to make the property work.

Ms. Bolter asked if there was any additional interaction with KCLBA beyond the quiet title services. Mr. Thomas said that Habitat for Humanity has been able to access the MISHDA Blight Elimination grant through KCLBA in two ways. The land bank has been able to leverage the grant to cover the tax burden costs and demolish the home and allow Habitat for Humanity to purchase the home for \$1. The land bank also provides the ability to have properties gathered together in one central location. Habitat for Humanity has been able to buy in targeted areas for very specific targeted neighborhood outcomes. Mr. Thomas offered to provide an economic impact report of the outcomes of approximately 30 land bank homes that Habitat for Humanity has acquired showing where they are today and what the economic impact has been.

Mr. Cronkright shared that KCLBA had assisted with demolishing a property with a home that had burned down, which ended up being a key component of 616 Development starting their first project creating a \$10 to \$12 million investment.

Mr. Powell would like to see the private community have more access to the tax foreclosed properties, the number of which has been greatly reduced since the inception of the KCLBA. There is a place for a land bank such as its work with Plainfield Township, but not in situations where private investors can do the work. He stated that there seems to be an assumption that almost all investors are bad and do a terrible job with the properties. Those seeking rental housing are struggling and frustrated because investors can no longer obtain properties and the ones that do may not make it as presentable as neighbors would like, but the properties are up to code. Making the property available to a low-income family at a reasonable price has been ignored by moving in this direction. The biggest concern he has with the land bank is that it does not allow tax foreclosed properties to be opened up to and available to investors in general.

Mr. Hibma added that there is a need for rental properties, not just single family homes. According to his records, 10 to 15 percent of properties sold at auction have a clear title. The land bank is making money through the process of clearing titles. He suggested that the ability and responsibility of clearing titles be transferred to the Treasurer. Mr. Hibma commented that only three out of 300, or 1 percent, of properties sold at auction in Kent County are repeat sales.

Mr. Richter commented that after talking with staff and several members of the Board of Directors of the Grand Rapids Association of Realtors, it is really unclear how the Realtors feel about the land bank. He stated that he was on the GRAR Government Affairs Committee and it was unanimous against the support of a land bank. A few members of the board of directors did not agree, so there has been no formal position. He added that enabling legislation requires each of the counties in the State to authorize a land bank before it can be created. Not every county has authorized a land bank. He is testifying that he does not think it is wise for Kent County to continue its authorization of the land bank because everything the land bank is doing can be done by private groups.

Ms. Bolter opened the meeting up to questions from the Subcommittee. Mr. Kallman commented that State government attempted to solve a cumbersome process to quiet title by introducing a new government program. There are a couple of things that the land bank has the ability to do under the enabling legislation that otherwise would not be accomplished. Mr. Kallman mentioned a property that had 50 barrels of toxic waste and KCLBA used its connections and authority to expedite processing a situation like that. He asked how that would be accomplished absent a land bank. Also, in regard to Mr. Hibma's documentation on 16 parcels in Wyoming and what happened to them subsequent to the City of Wyoming's decision not to proceed with KCLBA, the City of Wyoming did not proceed with KCLBA due to the requirement of a super majority; a majority voted in favor of it but there was not a super majority so it did not pass. The City of Wyoming leaders and many other city and township leaders perceive the land bank as something that is advantageous and how does that square in looking at the numbers like those 16 parcels. He asked what the advantage is that city and township leaders see that they continue to use KCLBA.

Mr. Richter responded that as far as environmental cleanup, there are really no unique powers that the land bank has that private parties do not have. He said that he was recently involved in a Grandville property that had to have a full clean up done and that property is now doing well. Sometimes private enterprise works more efficiently than government more times than not.

Mr. Bulkowski asked Mr. Hibma if he was aware of the changes the County implemented in 2013 restricting the powers of the land bank. Mr. Hibma said yes. Mr. Bulkowski stated that Mr. Hibma's comments seem to focus on land bank purchases when Mr. Wyngarden, Mr. Powell, and Mr. Richter appropriately said it is Plainfield Township's and the City of Wyoming's choice, not the land bank's choice, to purchase the properties. It is up to the cities, townships and villages to determine if they want to sell the properties to KCLBA. KCLBA is unable to purchase properties at auction, the municipality has to make the purchase. He said the issue seems to be with the City of Grand Rapids who chooses to take all of the properties in the city and transfer them to KCLBA, not with the County. In regard to city inspections of properties as a solution, he said that activity has also been opposed by these same individuals. He asked if the primary concerns and issues are with the City of Grand Rapids or with the County.

Mr. Hibma said the County set up the framework that allows the City of Grand Rapids to utilize KCLBA in this manner.

Ms. Bolter asked Mr. Dempsey to speak to the law that enabled the land bank and what the legislators included in the law and what the County is not able to change and the parameters set forth for the County. Mr. Dempsey said that the framework for the land bank is set forth by state statute. The County has the ability to approve an agreement with the Treasurer and State Land Bank Authority to create the entity for Kent County. In terms of how it operates, that is also set forth in state statute. Ms. Bolter asked for clarification on cities having the first right to purchase the property before it goes to auction. Mr. Dempsey confirmed that is the law, and not something the County is able to change. The land bank becomes involved after the unit of government acquires the property and decides to use the services of the land bank. The statute

itself in terms of the tax foreclosure process is going to be the same whether there is a land bank or not. In 2012, the County decided not to acquire properties (absent very unusual circumstances) before auction and let the auction process take care of the properties. However, the local units can do what they want as they know best in terms of dealing with the properties in their jurisdiction. Ms. Bolter asked if there is a circumstance where the County is able to take the property before the local units of government. Mr. Dempsey said no, absent changing the law that is not possible.

Mr. Powell said the bigger concern is how KCLBA is funding itself. The land bank is costing the County a lot of money in property tax revenue, which means the County is funding the land bank. The Rental Property Owners Association is not opposed to the land bank. The focus of the land bank should be really distressed properties and environmentally contaminated properties that no private investor has any interest in whatsoever. If the County wants to fund the land bank and the County determines it serves a purpose, then the County should fund it. The Land Bank should not compete with the private sector in order to fund itself. It is unfair to the citizens of the community and private investors and unfair to Mr. Allen who has to go through the process to fund the program.

Mr. Richter said he is not asking the County to change the rules of the land bank or modify it in any way. He is asking the County to go back to the way it was prior to the land bank. The County will make more money, the problems will be solved through the private sector and through the tax foreclosure sale at auction. He stated the land bank is not needed in Kent County and that it is an extra layer of government.

Mr. Vonk asked Mr. Dempsey if the County would be able to make any changes to how the land bank operates. Mr. Dempsey said that the land bank is a separate entity and the County is only able to make recommendations to them in terms of changing their practices. Since the County has the authority to force the Treasurer to withdraw from the land bank and dissolve the land bank, then it is a question of if the land bank does not listen to the recommendations, they do it at their own peril.

Mr. Hibma said that the land bank should be disbanded because the process would go back to what was happening before the land bank. He said a threat that was included in the KCLBA strategic plan was market improvement. Historically there have been 50 to 100 parcels that go through tax sale. In 2012 there were 350. Now, that the economy has improved, there will not be as many properties for KCLBA. He stated that the land bank is not making any money on the sales. They are making their money on the tax capture. If the County allows the land bank to continue it will be losing money in land sale proceeds.

Mr. Cronkright said that when the land bank started, Michigan was in a significant crisis and West Michigan was a bit insulated from that. A critical analysis now that West Michigan is again at a peak would identify that the land bank is providing services – title clearing, neighborhood stabilization – needed going forward in preparation for another downturn. The land bank is not

just selling the properties that are productive, they are spending a lot of money demolishing and reconditioning properties in preparation for sale. He sees a value in having a land bank.

Mr. Richter said the real estate market is very cyclical. In that crisis he, as an investor, was still able to invest in property. Even though it was a difficult time. He made it through as many other investors were able to do. He continued to attend tax sales and when there were 350 for sale, each one was able to be sold. There were less than 20 that did not sell during the "crisis" period. As a broker, he sells commercial properties that did not go to tax sale for 30 cents on the dollar. He paid all property taxes. Through the difficult times, these properties were being bought and sold without a land bank, which had been done for many years. Nearly every parcel was being brought back to market. Of those that did not sell, they were little strips of property that could not be built on. The system works. We do not need a land bank.

Mr. Kallman asked Mr. Dempsey if the local units of government take the properties, if it has to be for a governmental purpose. Currently selling it to a land bank is a governmental purpose. Mr. Dempsey responded that such action did constitute a public purpose. Mr. Kallman asked if without a land bank in existence would Plainfield Township still be able to take a property that is being repeatedly flooded and does that qualify as a public purpose. Mr. Dempsey said yes.

Mr. Bulkowski asked if any of the panelists have read the City of Grand Rapids' report from 2013 about the blight in the City. He explained the report seemed to indicate it was more than three of 300 properties or 1 percent of the properties that were repeat forfeitures. The City indicated they had some depressed neighborhoods. If the land bank didn't exist, the City of Grand Rapids could still purchase them first and transfer them to ICCF or Habitat for Humanity. He asked if the City of Grand Rapids can justify its requirement the land bank purchase of all or none the properties.

Mr. Cronkright said that he agrees with Mr. Kallman that the land bank's services are not magical. He feels it would be a valuable exercise if someone were to go back four years preceding the land bank to get a sampling of 25 properties in each ward then run a similar sampling four years after the land bank and line it up. What was the true economic development as the neighborhoods came back on line, what were the assessed values, what were the number of violations and permits pulled and let's get some data around true economic failure. Ms. Bolter stated that a similar report has been prepared.

Mr. Richter said that the City of Grand Rapids report did not just deal with land bank properties or tax foreclosed properties, it dealt with blight overall. There are blighted properties that are still paying property taxes.

Ms. Bolter asked if there were any other fact-finding questions of factual data and information that the Subcommittee needed. None were identified.

Ms. Bolter asked the panel if they had any suggested changes to the KCLBA. Mr. Richter and Mr. Hibma said the KCLBA should be eliminated. Mr. Powell said that KCLBA could stay in place but

that it should be funded differently so that it did not need to compete with the private market to fund itself. Mr. Wyngarden suggested better education about the land bank and what it does. Mr. Cronkright agreed with better education and added that they should develop a strategic plan that keeps the land bank relevant as the County goes through economic cycles. Mr. Thomas echoed that sentiment, and encouraged that the County keep monitoring the situation as conditions are changing. Ms. McKee added that Habitat for Humanity is in support of the land bank, and sees them as a partner to maximize Habitat's ability to preserve affordable housing and ensure affordable housing is available. Ms. McKee also clarified that affordable rental and home ownership is very important and does not see home ownership as a threat to rentals. Habitat wants to see a strong continuum of options and the land bank allows for that. Having a good understanding of the guiding principles and timing of when the land bank is involved and making decisions in releasing properties would be very helpful.

The next meeting is scheduled for Thursday, September 8, 2016, at 9:30 a.m. or immediately following the Board of Commissioner meeting.

There being no other business to discuss, Chair Bolter adjourned the meeting at 10:23 a.m.

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